

FRAUD EXAMINATION REPORT

**TO: JUDGE PAULETTE R. IRONS,
CHIEF JUDGE, ORLEANS PARISH CIVIL DISTRICT COURT;
JUDGE ANGELIQUE A. REED,
CHIEF JUDGE, FIRST CITY COURT OF NEW ORLEANS;
AUSTIN BADON,
CLERK, FIRST CITY COURT OF NEW ORLEANS**

FROM: SUSAN E. BROWN, CPA/CFF, CFF AND CASEY HARPER, CPA

RE: EXAMINATION OF POTENTIAL ASSET MISAPPROPRIATION

DATE: FEBRUARY 26, 2019

I. Background

On January 9, 2019, Brown Forensic Accounting, APAC ("BFA"), received a telephone call from Traci Dias ("Ms. Dias"), Judicial Administrator, Orleans Parish Civil District Court. Ms. Dias informed BFA they had been selected by a panel of Judges to investigate some questionable transactions of public funds. Ms. Dias directed BFA to contact Austin Badon ("Mr. Badon"), the newly elected First City Clerk of Court of New Orleans.

BFA's initial meeting with Mr. Badon was held on January 15, 2019. Mr. Badon provided documentation related to three (3) disbursements and one (1) attempted disbursement from the account in the name of *Clerk of First City Court – Capital Improvement Fund* ("Clerk's checking account X3384"), a checking account under the control of the First City Clerk of Court's Office. The three (3) disbursements and one (1) attempted disbursement at issue were manual (handwritten) disbursements, outside of the standard en banc accounts payable function for judicial expenses.

These four (4) questionable transactions were initiated by Timothy David Ray (“Mr. Ray”), the previous interim Clerk of First City Court of New Orleans. All four (4) transactions occurred during Mr. Ray’s final two (2) weeks in office.

BFA was charged with conducting an examination in accordance with lawful examination techniques, which include, but are not limited to, examination of books and records, voluntary interviews of appropriate personnel, and other such evidence gathering procedures as necessary under the circumstances.

II. Executive Summary

The Clerk of First City Court of New Orleans (the “Clerk”) was created by LSA-R.S. 13:2165. The Garnishment Fund and the Registry of Court Fund were created by LSA-R.S. 13:3927 and LSA- R.S. 13:2165, respectively.

Garnishment Fund – The Garnishment Fund, as provided by LSA-R.S. 13:3927, offers that whenever a plaintiff suing out a writ of garnishment shall apply to the Court for the issuance of such writ, the plaintiff shall deposit with the Court the sum of fifteen dollars (\$15.00), as a fee from the attorney for the employer who answers such interrogatories.

Registry of Court Fund – The Registry of the Court Fund, as provided by LSA-R.S. 13:2165, accounts for funds that have been ordered by the Court be held on deposit until a judgment has been rendered in court litigation. These funds are withdrawn only upon order of the Court to named recipients.

The Garnishment and Registry of Court Funds are assets held by the Clerk of First City Court of New Orleans as a fiduciary (or agent) for others. Fiduciary funds (or agency funds) are custodial in nature, meaning assets equal liabilities. A fiduciary is someone entrusted with the care of money or property on behalf of another. Given the fiduciary obligation of the Clerk, the Garnishment and Registry of Court Funds are often jointly referred to in the financial statements as the Fiduciary Funds of First City Clerk of Court’s Office.

Under Louisiana state law, the Clerk may deposit these fiduciary funds in demand deposits, interest bearing demand deposits, or time deposits with a state bank, or banks, organized under Louisiana law and/or any other state of the United States, and/or under the laws of the United States. Cash includes all highly liquid investments with an original maturity of 3 months or less.

Interest earned on the fiduciary funds collected, deposited and held in both the Garnishment and Registry of Court Funds may be used for the “general operating expenses of the city courts¹. ” For the sixteen (16) year period, 2002 through 2017, the annual audit report of the fiduciary funds on deposit with the Clerk of First City Court of New Orleans reflects the transfer out of the interest income on both the Garnishment and Registry of Court Funds each year. The annual transfer of interest income, which started in 2002, is being deposited into a public funds interest bearing account, referred to herein as the Clerk’s checking account X3384.

From March 20, 2000 through April 24, 2018, Ellen Hazeur served as Clerk, First City of Court of New Orleans. On March 24, 2018, Ellen Hazeur won an open Civil District Court judgeship. Shortly before her resignation, Judge-Elect Hazeur appointed Mr. Ray, who had served as her campaign manager, as her Chief Deputy Clerk. Mr. Ray then assumed the role of *interim* Clerk upon Judge-Elect Hazeur’s resignation, which went into effect at close of business on April 24, 2018.

Per Mr. Ray’s published bio, he is an attorney admitted to practice law in the State of Louisiana and is *Of Counsel* of the Bosworth Legal Group. Further, per Mr. Ray’s bio, he is the Founder & Principal of Timothy Ray & Associates, L.C., a strategic and political communications firm based in New Orleans.

During Mr. Ray’s interim period of service, on or around July 18, 2018, he filed to run for Clerk of First City Court of New Orleans in the special election scheduled for Tuesday, November 6, 2018, to fill the vacancy left by Ellen Hazeur.

On November 6, 2018, Mr. Ray lost the special election to Mr. Badon.

¹ La. Atty. Gen. Op. No. 92-236 (La. A. G.), 1992 WL 610811, prepared by Richard P. Ieyoub, Attorney General, at the request of the Honorable Judge Rosemary Ledet.

Mr. Badon took his oath of office on November 16, 2018 at or after 3:35 PM. Therefore, Mr. Ray served as the interim Clerk of First City Court of New Orleans for less than seven (7) months, from April 25, 2018 through November 16, 2018 at or around 3:35 PM.

During Mr. Ray's interim period of service as the Clerk of First City Court of New Orleans, the balance in the Clerk's checking account X3384 declined unexpectedly. On April 25, 2018, the initial date of Mr. Ray's service, the balance in the Clerk's checking account X3384 was \$44,872.35. At close of business on November 16, 2018 the balance in the Clerk's checking account X3384 had been reduced to \$35,515.17. The decline was comprised of three (3) disbursements, which all occurred in the final two (2) weeks Mr. Ray held the position as interim Clerk of First City Court of New Orleans. This level of activity is in stark contrast to the total disbursements of \$3,465.80 from the Clerk's checking account X3384 which transpired over the previous eight (8) years, with the most recent disbursement occurring in January 2017.

Soon after Mr. Badon took his oath of office on November 16, 2018, he followed the Louisiana Legislative Auditor's *Best Practice in Government Checklist for Newly Elected Officials*. The Legislative Auditor's suggestions for the newly elected official to consider in the transition include, but are not limited to, the following:

- Make a general review of the financial records to determine if records are complete and up-to-date. Specific to the office of the Clerk of First City Court of New Orleans, the bank account statements for the Clerk's fiduciary accounts, the Garnishment Fund the Registry of Court Fund, and the Clerk's checking account X3384 should have been be available at the time of transition from the outgoing official to the newly elected official;
- Regarding any and all checking accounts under the custody and control of the previous administration at the time of transition to the newly elected official:
 - Take possession of the check register(s) and any and all supporting documents from the previous administration which support disbursements from the account(s);
 - Account for the last check number(s) written by the previous administration;
 - Take possession of the supply of un-used checks for any and all accounts used by the previous administration, including the Clerk's checking account X3384;

- Change authorized bank signatures to the new officials that will be signing checks on the Garnishment Fund, the Registry of Court Fund and the Clerk's checking account X3384.

Mr. Badon determined the financial records for the Garnishment Fund and the Registry of Court Fund were properly maintained at the First City Court Clerk's Office in the custody and control of the bookkeeper in the First City Court Clerk's Office. However, Mr. Badon did not immediately become aware of the existence the Clerk's checking account X3384, as this account has never been under the purview of the bookkeeper and no bank statements for the Clerk's checking account X3384 were located on-site at the First City Court Clerk's Office.

Mr. Badon first became aware of the existence of the Clerk's checking account X3384 on or around November 20, 2018, when changing the authorized bank signatures to the new officials as the two (2) fiduciary accounts and the Clerk's checking account X3384 are all maintained at the same bank.

The following week after changing the authorized bank signatures, the Clerk's office received correspondence from the bank with a returned check, or check not honored by the bank, drawn on the Clerk's checking account X3384. (See *Tab 1* below). On November 29, 2018, Mr. Badon took his new-found knowledge of the Clerk's checking account X3384 discussion with the Judges of the Civil District Court for the Parish of Orleans and the First and Second City Courts of the City of New Orleans, sitting en banc. The Judges, through Ms. Dias, engaged BFA to investigate the three (3) disbursements and one (1) attempted disbursement from the Clerk's checking account X3384, which transpired during Mr. Ray's final two weeks as interim clerk.

III. Scope

The examination is predicated upon questionable transactions which transpired in the final two (2) weeks Mr. Ray served as interim Clerk of First City Court of New Orleans. The objective of BFA was to determine the existence of possible fraud, misappropriation, misapplication, conversion, misuse or otherwise wrongfully taken funds, property, or other thing of value belonging to, or under the custody or control of, the Clerk of First City Court of New Orleans during the time period Timothy David Ray accepted and served as the interim Clerk of First City Court of New Orleans.

IV. Approach

BFA Team: Susan E. Brown, CPA/CFF, CFE, and Casey Harper, CPA

Procedures: As part of the examination of this matter, the BFA Team took the following actions:

- a) Obtained, reviewed, and analyzed the Liberty Bank statements and canceled checks for the Clerk's checking account X3384;
- b) Obtained, reviewed, and analyzed documentation related to the alleged misappropriation, misapplication, conversion, misuse or otherwise wrongfully taken funds, property, or other thing of value belonging, to or under the custody or control of, the Clerk of First City Court of New Orleans including memorandums, e-mails, correspondence, invoices and other documentation;
- c) Obtained, reviewed and analyzed Mr. Ray's correspondence and invoices submitted to the Honorable Paulette Irons, Chief Judge in late 2018 on December 2nd, December 3rd and December 10th;
- d) Obtained, reviewed, and analyzed the annual "Financial Statements Together with Independent Auditor's Report for Orleans Parish Clerk of Court of First City Court" for the sixteen (16) years ending December 31, 2002 through December 31, 2017;
- e) Obtained, reviewed and analyzed documents available in the public domain related to Merlin Flores, Sr.;
- f) Obtained, reviewed and analyzed documents available in the public domain related to Merlin Flores;
- g) Obtained, reviewed and analyzed documents available in the public domain related to Morgan-Legaux Jones;
- h) Obtained, reviewed and analyzed the Louisiana Secretary of State on-line corporate database search;
- i) Obtained, reviewed and analyzed property tax records available on-line at the Plaquemines Parish Assessors Office;
- j) Obtained, reviewed and analyzed the contract between First City Court of New Orleans and VRC (previously known as RecordMax New Orleans), which was signed on July 16, 2014 by the Honorable Kern A. Reese, then-Chief Judge. The contract included the signed Agreement,

Schedule A, Schedule B and the First Amendment to the Agreement also signed on July 16, 2014;

- k) Performed a site visit on January 15, 2019 of the case records storage room located on the main floor of the First City Clerk of Court's Office located 421 Loyola Avenue, Room #201 at Civil District Court of New Orleans;
- l) Obtained, reviewed and analyzed the Campaign Finance Reports filed by Timothy David Ray, or on his behalf, with the Louisiana Ethic Administration Program related to his candidacy for the Clerk of First City Court of New Orleans in the November 6, 2018 special election;
- m) Obtained, reviewed and analyzed the Campaign Finance Reports filed by Timothy David Ray, or on his behalf, with the Louisiana Ethic Administration Program related to his candidacy for the Council Member B of Orleans in the October 14, 2017 primary election.

Individuals Interviewed: The following individuals were interviewed in person, or by telephone, by members of the BFA Team:

- a) Traci Dias, Judicial Administrator, Civil District Court of Orleans Parish;
- b) Ambrose Pratt, Chief Deputy Clerk, First City Court of New Orleans;
- c) Austin Badon, Clerk, First City Court of New Orleans;
- d) Male employee of The Printers Wholesale Group.

V. Findings

Based upon the interviews conducted, documents reviewed, and information collected during the course of the examination, the BFA Team finds the existence of possible fraud, misappropriation, conversion, misuse or otherwise wrongfully taken funds, belonging to, or under the custody and control of, Mr. Ray, while he accepted and served as the interim Clerk of First City Court of New Orleans. Further, an analysis of the documentation provided by Mr. Ray to the Honorable Paulette Irons, Chief Judge, in early December 2018, more than two (2) weeks after leaving office, may be indicative of a fabrication of invoices offered in an attempt to use as evidence to substantiate certain manual (handwritten) disbursements, made by him during his final two (2) weeks in office:

- **Tab #1 - Potential attempt to use public resources for personal or political purposes**
Check #1007 drawn on the Clerk's checking account X3384. Manual (handwritten) disbursement dated October 31, 2018 in the amount of \$998.00 payable to The Printers Wholesale Group. The memo section of the check reads "718-91 small claims."

Per a copy of the returned check, the paying bank returned the check unpaid because the account number could not be located. There was an error in the account number printed on the checks for the Clerk's checking X3384, which occurred at the time the name of the Clerk was changed from Ellen M. Hazeur to Timothy David Ray.

On or around July 18, 2018 through November 6, 2018, Mr. Ray was campaigning to fill the vacancy left by Ellen Hazeur, while serving as interim Clerk of First City Court of New Orleans.

On or after July 25, 2018, Mr. Ray submitted to the Judicial Expense Fund (the "JEF") for payment The Printers Wholesale Group Invoice # 0718-91, to be charged to the Clerk's 2018 printing budget. The JEF *denied* Mr. Ray's request to use public funds to pay The Printers Wholesale Group Invoice #0718-91 on the basis the back panel of the Small Claims brochure was deemed to be a campaign advertisement² for the benefit of Mr. Ray and not for the benefit of the public. After JEF refused to approve payment of Invoice #0718-91, Mr. Ray attempted to pay this *same invoice* with public funds from the Clerk's checking account X3384.

- **Tab #2 – Potential misappropriation, conversion, misuse or otherwise wrongfully taken funds**

Check #1003 drawn on the Clerk's checking account X3384. Manual (handwritten) disbursement dated November 2, 2018 in the amount of \$4,766.00 payable to Merlin Flores, Sr. The memo section of the check reads "New shelves (case records fee)."

Despite the incorrect pre-printed account number, Check #1003 was paid by the bank on November 5, 2018. Per the back of the canceled check, it was negotiated in person by an individual at Branch #14, located at 2714 Canal Street, New Orleans, LA 70119. The face of

² The new Small Claims brochure is not to be confused with the controversial Evictions brochure, both done by the Mr. Ray during his time as interim Clerk of First City Court.

the canceled check indicates the bearer had a Louisiana Driver's License #010014875 and a date of birth of February 11, 1987.

Due to the lack of appropriate supporting documentation for this manual disbursement, the Honorable Paulette Irons, Chief Judge, contacted Mr. Ray seeking clarification. On December 2, 2018, Mr. Ray responded to the request for information and/or documentation via a 3 ½ page letter addressed to "Judge Irons", which included a poor-quality copy of Invoice #2018-1?154 (the "Flores Invoice"). It may be important to note this payment of \$4,766 was negotiated *the day before* the November 6, 2018 special election.

BFA's investigation into the Flores Invoice identified the following incorrect and/or missing details:

- a) The name on the Flores Invoice fails to match the payee on Check #1003. The Flores Invoice reads "Melvin Flores" and the payee on Check #1003 reads "Melvin Flores Sr.";
- b) The style of the Flores Invoice is an *un-branded*, general use Microsoft Office template offered under the "services" category. Generally, any person or business entity which provides invoices to clients creates a customized template with a logo and/or name as a marketing tool, to save time and get paid faster;
- c) The address on the Flores Invoice reads "2823 English Turn Rd, Louisiana, 70040", *with no city name listed on the invoice*. Generally, any person or business entity which provides invoices to clients creates a customized template which includes the mailing address where a client should send a payment. Providing the client with a billing address saves time and assists in getting paid faster;
- d) The payment terms stated on the face of the Flores Invoice read "Payment is due within 30 days." However, based on the face of canceled Check #1003, Mr. Ray wrote the check to Mr. Flores Sr. *three days before* the date of the Flores Invoice of November 5, 2018;
- e) Even if Mr. Ray prepared Check #1003 in advance of receipt of the invoice, it is usual and customary for the client to notate the invoice number in the memo section of the check, which was not done in this instance;

- f) While all other information on the Flores Invoice is typed, the description section of the Flores Invoice is hand written. Further, the description of services is vague and fails to provide an acceptable level of detail to determine if the three (3) lump sum amounts reflected on the Flores Invoice are cost-effective. For example, there is no detailed bid, or estimate, regarding the cost of labor and materials for demolition, “refitting existing shelving” and “construction of new shelves”;
- g) Lastly, it is good business and common practice in construction projects for the customer to request invoices be marked as “Paid.” This may include, but is not be limited to, the date of payment, the amount of the payment, source of payment, including check number if applicable, and often in a signature by the contractor and/or vendor acknowledging receipt of payment.

Given the discrepancies and missing information on the Flores Invoice, which was first provided to the Honorable Paulette Irons, Chief Judge, by Mr. Ray on December 2, 2018, it is possible Invoice # 2018-1?154 was created in response to the request for clarification.

Also, BFA found as a result of the site visit to the Clerk’s case records storage room that the shelving did not appear to be new construction and/or have been subjected to recent modifications. Interviews conducted with the persons who work in the Clerk’s office found they could not describe any work performed and were unaware of when any work had recently been performed on the shelving the Clerk’s case records storage room.

On December 10, 2018, Mr. Ray provided additional explanation and/or information to the Honorable Paulette Irons, via e-mail sent at 11:02 AM, which failed to include a more legible copy of the Flores Invoice. Further, Mr. Ray’s e-mail of December 10, 2018, references critical documents required to be maintained under best practices of governmental accounting such as “two proposals”, “quotes”, “plans and specifications”, and detail of “labor & materials supplied.” To date, Mr. Ray has provided no additional documentation to the Honorable Paulette Irons beyond the Flores Invoice.

The Louisiana Legislative Auditor’s *Checklist of Best Practices in Government* recommends documents, such as those referenced by Mr. Ray in his December 10, 2018 e-mail, should be

obtained and retained for purchasing/disbursements on projects of all sizes and specifically those projects subject to public bid laws. For example, at least three telephone or facsimile quotations obtained and documented as part of approval process for purchases of material or supplies costing between \$10,000 and \$30,000, as required by LSA-R.S. 38:2212.1(A)(1)(b).

Although the Flores Invoice was for \$9,662, an amount just under \$10,000, best practices should have compelled Mr. Ray to comply with the public bid laws for a project of this size. Given the alleged competing quote by Cox & Cox³ of \$19,685, as referenced in his December 10, 2018 e-mail, and due to the likelihood change order may be required by Mr. Flores, Sr. on this project which could easily causing the total project cost to exceed the \$10,000 floor in the statute.

BFA's investigation into "Merlin Flores, Sr." and "Melvin Flores" yielded the following findings:

- h) Mr. Flores, Sr.'s name only appears in the Louisiana Secretary of State ("LA SOS") records as the Registered Agent for the St. Andrew Baptist Church, Inc.;
- i) Plaquemines Parish Assessor on-line records reflect Parcel # 8102000 with a physical address of 2823 English Turn Rd is Tax Exempt for property tax purposes as the primary owner is St. Andrews Baptist Church, a non-profit religious corporation;
- j) Per the LA SOS web-site, both the Domicile Address and the Mailing Address for St. Andrews Baptist Church are 2823 English Turn Road, Braithwaite, LA 70040 (same street number, street name and zip code as the invoice provided by Mr. Ray);
- k) Per the LA SOS web-site, there is a Merlin Flores (no Sr.) listed as an Officer of the St. Andrew Baptist Church, Inc. His title is listed as Director;
- l) Per the LA SOS web-site, both Merlin Flores, Sr. and Merlin Flores have the same address listed of 2809 Lakeview Drive, Violet, LA 70092;
- m) Upon information and belief, there is the potential link between Mr. Ray and the St. Andrews Baptist Church, a non-profit religious corporation. Further investigation may identify a party (ies) to Mr. Ray's manual disbursement on Check #1003 involved friends, family, or prior associates of Mr. Ray.

³ A search of the Louisiana Secretary of State web-site found no business registered by the name Cox & Cox.

- Tab #3 – Potential misappropriation, conversion, misuse or otherwise wrongfully taken funds

Counter Check drawn on the Clerk's checking account X3384. Manual (handwritten) disbursement is dated November 13, 2018 and payable to Morgan Jones ("Mr. Jones"). There is a discrepancy between the numeric amount on the canceled check and the long form dollar amount. The handwritten numeric format reads \$5,250.00 and the long form dollar amount reads \$5,150.00. The back of the canceled check indicates the bank honored the long form dollar amount of \$5,150.00. The memo section reads "Labor, reimbursement, services." As a result of the error in the account number on the newly printed checks bearing Mr. Ray's name, he was forced to utilize a counter check. A counter check from a bank is a check available to a bank customer to add their account name and number to make a disbursement or withdrawal from their account. Per the back of the canceled counter check, it was negotiated in person by an individual at Branch #7, located at 3535 General DeGaulle, New Orleans, LA 70114. The face of the canceled counter check indicates the bearer had a Florida Driver's License #J520-540-814440 and a date of birth of December 4, 1981. Using the driver's license number and the social security number, the individual's name is Morgan-Legaux Jones.

Due to the lack of appropriate supporting documentation for this manual disbursement, the Honorable Paulette Irons, Chief Judge, contacted Mr. Ray seeking clarification. On December 3, 2018, Mr. Ray responded to the request for information and/or documentation via e-mail to "Judge Irons" sent at 4:39 PM. Attached to this e-mail were two (2) documents which he purports is the basis for the \$5,150 payment required to pay a third party to pack and transport the Clerk's files to the VRC storage facility. The questionable Invoice #18-101 attached to the e-mail was dated *eight days after Mr. Ray lost* the November 6, 2018 special election.

Mr. Ray provided a poor-quality copy of Invoice #18-101 (the "Jones Invoice") for \$5,000.00. Mr. Ray's e-mail states "...an additional \$250.00 was requested after the delays of the elevator which pushed the workers back on their next job." The second attachment, labeled "Invoice2," is a document provided by Vital Records Control ("VRC") to the First City Court of New Orleans. Mr. Ray's e-mail states "Invoice2 is not a separate invoice but the second

part” of the Jones Invoice, which provides third party verification that 61 boxes were delivered to the VRC warehouse.

Interviews conducted with the persons who work in the Clerk’s office found Mr. Ray had been informed by a VRC employee that the Clerk’s office did not need to hire a person or business entity to transport the 61 boxes from the Clerk’s office to the VRC storage facility as *the existing contract provided pick-up and transportation services at no additional cost*. Additionally, interviews conducted with persons who worked in the Clerk’s office confirmed that Clerk’s office employees have historically been responsible for packaging and cataloging the records in anticipation of being transported to the VRC storage facility. Accordingly, it appears Mr. Ray potentially knowingly utilized a third party, at cost of \$5,150.00 of public funds, to perform services which were readily available at no additional costs.

BFA’s investigation into the Jones Invoice identified the following incorrect and/or missing details:

- a) The Jones Invoice reflects a balance due and owing of \$5,000. Mr. Jones received \$5,150 when he negotiated the counter check;
- b) The style of the Jones Invoice is an *un-branded*, general use Microsoft Office template offered under the “services” category. Generally, any person or business entity which provides invoices to clients creates a customized template with a logo and/or name as a marketing tool, to save time and get paid faster;
- c) The Jones Invoice fails to provide an address where a client should send a payment. Generally, any person or business entity which provides invoices to clients creates a customized template which includes the mailing address. Providing the client with a billing address saves time and assists in getting paid faster;
- d) Based on the face of the canceled counter check, Mr. Ray wrote the check to Mr. Jones on November 13, 2018, which was the day *before* the date on the Jones Invoice of November 14, 2018;
- e) Even if Mr. Ray prepared the counter check in advance of receipt of the invoice, it is usual and customary for the client to notate the invoice number in the memo section of the check, which was not done in this instance;

- f) Lastly, it is good business and common practice when dealing with a moving company and/or services company for the customer to request invoices be marked as "Paid." This may include, but is not be limited to, the date of payment, the amount of the payment, source of payment, including check number if applicable, and often in a signature by the contractor and/or vendor acknowledging receipt of payment.

BFA's investigation into Mr. Jones yielded the following findings:

- g) Mr. Jones' name appears in the Louisiana Secretary of State ("LA SOS") records connected with a total of five (5) business: two (2) active business, both started in September 2018, and three (3) inactive businesses started in 2010, 2012 and 2015;
 - h) Neither of Mr. Jones' two (2) active businesses or three (inactive businesses are in the same category as a moving company;
 - i) Per the LA SOS web-site, the address listed for Morgan-Legaux Jones as the Registered Agent and the Officer for the two (2) active businesses indicate his most current address is 3321 Edenborn Ave, Apt 113, Metairie, LA 70002;
 - j) Per Mr. Jones' Linked-In profile, he has been employed as Technical Expert at Apple from February 2018 to current. Prior to rising to a Technical Expert, Mr. Jones worked at Apple as Tech Specialist
- **Tab #4 – Potential use of public resources for personal or political purposes**
Counter check drawn on Clerk's checking account X3384. Manual (handwritten) disbursement is dated November 13, 2018 in the amount of \$360.00 and payable to The Printers Wholesale Group. The memo section reads "Business Cards." As a result of the error in the account number on the newly printed checks bearing Mr. Ray's name, he utilized a counter check. A counter check from a bank is a check available to a bank customer to add their account name and number to make a disbursement or withdrawal from their account.

Due to the lack of appropriate supporting documentation, the Honorable Paulette Irons, Chief Judge, contacted Mr. Ray seeking clarification. On December 3, 2018, Mr. Ray responded to the request for information and/or documentation via e-mail to "Judge Irons" sent at 4:39 PM, which included a poor-quality copy of The Printers Group Wholesale Invoice #1018-16

in the amount of \$360.00 and dated October 15, 2018. The description on the invoice states “Business cards” and the quantity section on the invoice is blank.

On May 7, 2018, soon after Mr. Ray began serving as the interim Clerk, JEF ordered and paid for five-hundred (500) business cards with raised gold foil seal with the name Timothy David Ray, Clerk First Court of New Orleans. The business cards were purchased from a vendor named Dad’s Print Shop at a cost of \$165.00 or \$0.33 per card.

As JEF ordered and paid for five-hundred (500) business cards on May 7, 2018, from Dad’s Print Shop, it appears highly unlikely that, in the ordinary course of business as interim Clerk, Mr. Ray would need to re-order more business cards in just a twenty-three (23) week time span. However, considering Mr. Ray had been campaigning since at least July 18, 2018 to fill the vacancy left by Ellen Hazeur, the need for Mr. Ray to re-order business cards on October 15, 2018 leads to the potential conclusion the first set of business cards paid for by JEF were used, or being used, for campaign purposes. Further, if JEF placed the initial order with Dad’s Print Shop in May 2018, it calls into question the cost effectiveness of switching to The Printers Group to supply “Business cards” at a cost of \$360.00, which is more than double the initial batch of \$165.00 for five-hundred business cards.

On February 26, 2019, BFA contacted The Printers Wholesale Group by telephone to inquire about the quantity of business cards ordered by Mr. Ray at a cost of \$360.00, as the quantity and other specifics were absent from the face of Invoice #1018-16. The employee who answered the phone claimed, “not to be able to locate Invoice #1018-16 on their system.” Further, the employee of The Printers Wholesale group promised to have “Donna in accounting” return BFA’s call but no return call was forthcoming by the date of this report.

Using the per unit costs on the May 2018 invoice from Dad’s Print Shop, of \$0.33 per card, Mr. Ray appears to be ordering through The Printer’s Warehouse Group in excess of 1,090 business cards, less than three (3) weeks out from the November 6, 2018 election day and requiring public funds to pay for this questionable expense.

Alternatively, knowing Mr. Ray's campaign finance reports reflect campaign expenses incurred with The Printers Warehouse Group of \$29,253.58, it is possible the description on Invoice #1018-16 may not be for "Business cards" related to his service as interim Clerk but rather some sort of printing and/or direct mailing related to Mr. Ray's campaign.⁴ Given either scenario, it appears Mr. Ray may have potentially knowingly used public funds for personal or political purpose.

VI. Summary

Our investigation found at Tab #1, Timothy David Ray attempted on October 31, 2018, but was unsuccessful, to negotiate a check drawn on the Clerk's checking account X3384 in the amount of \$998.00. Mr. Ray initially submitted this invoice to the Judicial Expense Fund ("JEF"), to paid with public funds as part of the Clerk's Printing budget. The JEF denied and/or refused to pay The Printer's Wholesale Invoice #0718-91 from public funds as the back panel of the Small Claims brochure was deemed to be a campaign advertisement for Timothy David Ray and not for the benefit of the public.

After JEF refused to approve payment of The Printer's Wholesale Invoice #0718-91, Mr. Ray attempted to pay *this same invoice* with public funds from the Clerk's checking account X3384. If it weren't for the error in account number on the checks when re-printed to add Mr. Ray's name, it is likely he may have been successful in his efforts, as he was at Tab #4, to potentially knowingly use public funds for a personal or political purpose.

For both Tab #1 and Tab #4, given the circumstances of Mr. Ray running a campaign simultaneously while serving as interim Clerk, there may be a connection between the same printer (The Printers Wholesale Group) working on his political campaign, and payment (or attempted payment) to this printer with public funds.

For both Tab #2 and Tab #3, there appears to be a pattern of checks written by Mr. Ray *prior to* the date of the invoices he provided, only after being contacted about these questionable transactions by the Honorable Judge Paulette Irons. Further, there is a pattern of checks being negotiated at the bank

⁴ See Candidate Report #71812 filed 10/9/2018, Report #72236 filed 10/29/2018 and Report #72959 filed 11/28/2018.

by the payee *on the same date* as the date of the invoice. This may be indicative of the invoice being created *after the fact*, when Mr. Ray no longer had access to the Clerk's checking account X3384.

Per Mr. Pratt, Chief Deputy Clerk, the bank contacted him at some point between November 26-30, 2018. The purpose of the Bank's phone call was to inform Mr. Pratt that Mr. Ray had called the bank on the same date seeking information about the status of "checks which cleared" the Clerk's checking account X3384. The bank provided no information to Mr. Ray as he was no longer authorized on this account after November 16, 2018.

Our investigation found documentary evidence which was potentially knowingly misappropriated, converted, misused or otherwise wrongfully taken from the Clerk's checking account X3384 by Mr. Ray during the final days of his service as the interim Clerk of First City Court of New Orleans.

VII. Impact to the Public Funds Held in the Clerk's Checking X3384

Over the course of his final two (2) weeks serving as interim Clerk, Mr. Ray potentially misappropriated, converted, misused or otherwise wrongfully taken public funds in the amount of \$10,276.00⁵, or approximately 23% of the balance in the Clerk's checking account X3384 on the date he took office. Further, Mr. Ray attempted, but was unsuccessful, in misappropriating, converting, misusing or otherwise wrongfully taking public funds in the amount of an additional \$998.00.

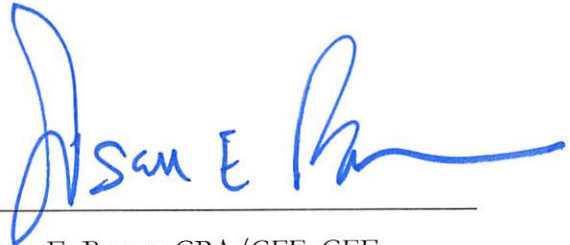
VIII. Recommendations

BFA recommends such matters be referred to the proper Federal law enforcement for any criminal wrong doing to determine whether prosecution is warranted regarding the potential misuse of public funds and/or injuring or falsifying public records.

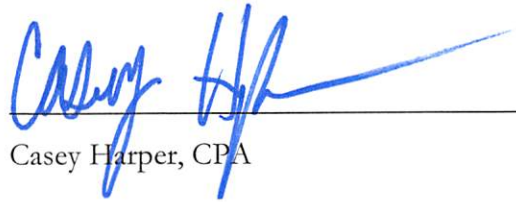
BFA recommends such matters be referred to any and all State governing bodies and/or licensing agencies regarding the credentials of the individual involved regarding the potential misuse of public funds and/or injuring or falsifying public records.

⁵ The amount would be \$10,376.00 if the counter check at Tab #3 had cleared for the higher \$5,250 numeric amount.

BFA reserves the right to supplement and/or amend this report if any additional documentation and/or information becomes available.



Susan E. Brown CPA/CFF, CFE



Casey Harper, CPA